formerly Merchandising Week

A GRALLA PUBLICATION

APRIL 1980

Merchandising

PUBLISHED FOR AN INDUSTRY WITH MORE THAN TODAY ON ITS MIND

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THE SKY'S THE LIMIT

BEST AVAILABLE COPY

Formerly Merchandising Week

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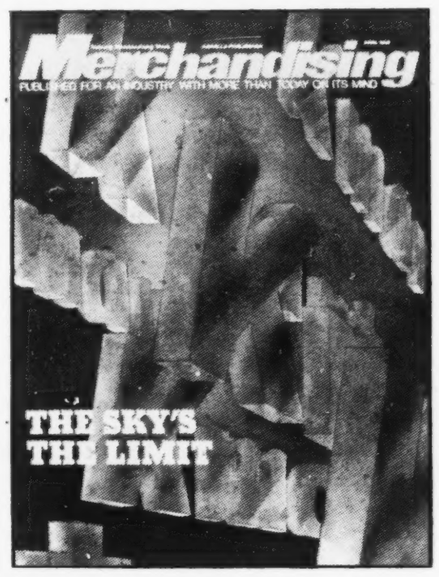
PUBLISHED FOR AN INDUSTRY WITH MORE THAN TODAY ON ITS MIND

FOR OVER 60,000 READERS
51,000 RETAILERS

April 1980

K mart: The sky's the Limit



K mart is just about everywhere and just about every retailer of white and brown goods and housewares is keenly aware of the country's No. 2 chain. But oddly enough, the feeling of fear that Sears used to evoke seems to be strangely missing. That K mart is highly respected is undeniable, and many have found the means to co-exist comfortably.

Story by Fred Gottesman, with contributions from Ron Schneiderman, Jack Blood and Lois A. Panosh, as well as reports from 10 *Merchandising* correspondents in the field.

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Prerecorded Videocassette Report

The previd market is getting a big boost from new entrants and expanded distribution. Walt Disney Productions and Fotomat made big news at ITA with their non-exclusive rental agreement. Columbia Pictures Home Entertainment will shortly begin distributing videodiscs; Magnetic Video expects to do the same by the end of this year, and S/T Videocassette Duplicating Corp. is about to test two videocassette rental concepts.

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Store Operations

When it comes to energy conservation the small retailer is caught in a bind. Most are anxious to abide by the Presidential guidelines and reduce their energy bills wherever possible. But they complain there isn't much they can do, other than lowering thermostat settings in winter, and raising them in summer.

Costs to implement sophisticated energy-saving devices or programs are frequently beyond the small retailers' means. What to do? Try an "energy cruncher."

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Trendings

• High-powered promotions—until fairly recently confined almost exclusively to the competitive electric housewares market—are blossoming in the non-electrics arena this spring. . . . • Spring catalogs are expected to generate strong electric housewares traffic this month. . . . • When it comes to personal electronics, the more features, the better. . . . • Sales of video entertainment products—especially color tv—have been holding up very well. . . . • People are buying smaller cars and smaller car speakers, but not fewer speakers. . . . • The bigger the ticket, the better the appliance sale.

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Happenings

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From the Capital

The long-expected indictment handed down at the end of February charging Sears, Roebuck with illegally concealing kickbacks from its Japanese television suppliers is probably just the beginning of a flood of such charges. Grand juries in Los Angeles and Norfolk, VA, are looking into similar charges against Montgomery Ward, J.C. Penney and other major chains.

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Product Picture

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Coming in May

★ ***Merchandising's 6th Annual Statistical & Marketing Forecast***
★ ***Gourmet Market—Profits & Pleasure***

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Prerecorded Videocassette Report

Videotape, disc can co-exist for short term: Time study

SAN DIEGO—For the short term, the markets for VCRs and videodiscs can and will co-exist, at least among upscale or high-income consumers.

That information comes out of a recent study done by *Time* magazine.

"In fact," says Fred Richards, international marketing director of Time-Life Video, "it's the same market because we've seen that buyers of both pieces of equipment have the same demographic profile. What's more, that profile hasn't changed in the past year.

"Further, they have the same number of color tv sets, purchase the same quantity of software and have the same viewing habits," Richards added.

Demo before purchase

Among the findings of the study, conducted in January through a questionnaire sent to 400 Quasar and 400 Magnavox purchasers (who weren't mentioned in the mail piece), four out of five VCR owners saw a demonstration of the equipment before they bought it. Most frequently, they saw a VCR in a retail store or in the home of a friend or relative. A similar proportion saw the disc player operate before they bought it. However, because the disc player is a newer piece of equipment, more people saw it demonstrated at the retail level; few first saw it at someone's home.

"We found that 17% of our sample already owns both formats," Richards said. "But we asked VCR owners if they're planning to buy a disc machine in the next 12 months and 5% said yes, they hoped to purchase one. Those who replied 'no' were asked to elaborate."

Most often they stated that they "were totally satisfied with their VCR," according to Richards, and additionally, that "the most important thing for them is the ability to record off the air." Almost one in five said they weren't aware of the videodisc machine.

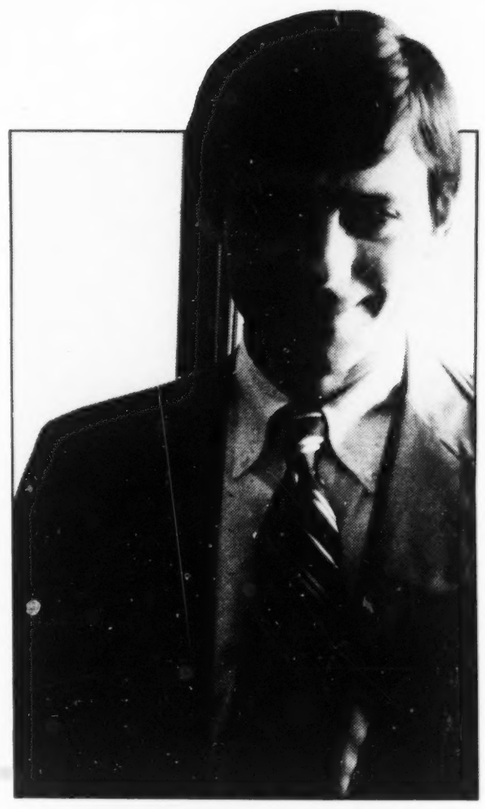
However, among those who've already bought a disc player, 38%—or two out of five—expect to buy a VCR in 1980.

"As for those who are not planning to buy a VCR in the next 12 months," Richards said, "the greatest number told us they're not interested in recording programs, that programs on disc are cheaper than on cassettes and that they're totally satisfied with their disc players.

Second-set purchasers

"Among our third group—those who already own VCR and disc players—11% told us they plan to buy another disc machine this year and 7% reported that they're planning to buy an additional VCR in 1980," adding further testimony to the upscale nature of the customer for these products.

The *Time* study also asked about the importance of stereo sound. "Just over one third told us stereo sound was of great importance as a reason for purchasing a disc player. And three quarters told us that it was of some or of great importance."



Fred Richards, international marketing director of Time-Life Video, reported to ITA members on a recent consumer study by Time *magazine.*

Richards also noted that manufacturers' advertising was the number one influence on both VCR and disc buyers. Store display was the second most important influence for disc buyers.

Also, according to the study, disc player owners purchased a median of 4.6 discs at the time they bought the equipment. And after owning it for just about one year, they've bought a total of almost 16 discs—or, to put it another way—more than one per month. "That's about $300 worth of programming at the retail level," Richards said. "To make a comparison, last year, when we looked exclusively at the VCR market, we found that those people owned a median of 12.6 blank cassettes and 4.3 prerecorded cassettes—the same quantity as disc owners have."

Prerecorded tape buyers

The study also revealed that half of those who own a VCR and almost three quarters of those who own both a VCR and disc player have purchased prerecorded VCR programs. VCR owners bought X-rated, other movies and classic movies. Owners of both formats first bought other movies, then classics. X-rated were the third choice of this group.

As for program purchases specifically, 64% of VCR owners expressed interest in renting prerecorded programs like the programs they purchased. They would like to rent other movies, X-rated and classic movies. A like number of disc owners would also be interested in renting videodiscs.

"Thirty-seven percent of the VCR owners thought that overall, they'd prefer the rental concept. However, just 16% of disc owners and 13% of those who own both formats would prefer to rent, at least while their video equipment is relatively new in their homes."

Also cable users

It was obvious that the survey respondents were video enthusiasts. One out of five owners of VCRs or disc players, and two in five dual owners also have cable tv. In addition, almost the same proportion of each group has pay cable. Nationally, 17% of all U.S. households have cable and pay cable is purchased by less than 5%of all households. •

ITA seminar

The Twentieth executive also said that his parent company would soon release "Breaking Away" and "Norma Rae," two Academy Award nominees, to the home video market.

CBS eyeing possibilities

CBS has been looking at a number of videocassette and videodisc programming possibilities.

Joseph Bellon, a CBS News vice president, who spoke at the ITA seminar, thinks that "carefully selected past and present programs broadcast on television should make good candidates for the home video market."

Another possibility is a video magazine produced by CBS News for Continental Airlines, using stories from a variety of the network's broadcasts. This type of material could eventually become a home video product, Bellon said.

He also sees a "big market" for nonfiction programs taken from or similar to such tv network productions as "60 Minutes" and "20/20."

Results of Fotomat study

Steve Wilson, vice president-video operations at Fotomat, the only company that both rents and sells prerecorded videocassettes, added some weight to the rental argument at the ITA meeting when he disclosed the results of a survey by Fotomat.

In a sampling of about 100,000 transactions at retail, Wilson said the ratio of rentals versus sales was four to one on a national level.

Broken down by types of programming, science fiction experienced the greatest differential with 10 rentals to every cassette sale. Major motion pictures were next with a seven to one rent-to-sell ratio on average. "With some films, like 'Looking for Mr. Goodbar,' it was 18 to one," Wilson said.

In other categories, such as drama, the rent vs. sell ratio was six to one; theatrical or musical programs, five to one; action/adventure, four to one; childrens programs, four to one; classics (Wilson included the two "Godfather" features in this category) and comedy and love stories, three to one, and boxing matches, two to one.

"Nothing sells more than it rents," Wilson said. •

Merchandising's TOP 50

		Last month's position	Months on chart
1.	**Superman (new)**	5	2
2.	**The Godfather**	1	9
3.	**Blazing Saddles**	N	1
4.	**Grease**	N	1
5.	**The Godfather II**	4	6
6.	**Saturday Night Fever**	2	9
7.	**Heaven Can Wait**	N	1
8.	**Dirty Harry**	N	1
9.	**Butch Cassidy & the Sundance Kid**	8	6
10.	**The Exorcist**	N	1
11.	**M*A*S*H**	3	18
12.	**Harold and Maude**	16	2
13.	**All the President's Men**	N	1
14.	**Looking for Mr. Goodbar**	24	6
15.	**The Sound of Music**	6	13
16.	**Marathon Man**	13	5
17.	**Bruce Lee—Super Dragon**	39	16
18.	**Silver Streak**	N	1
19.	**Foul Play**	N	1
20.	**Chinatown**	11	3
21.	**The Graduate**	12	15
22.	**Patton**	7	18
23.	**Murder on the Orient Express**	14	6
24.	**The African Queen**	26	9
25.	**French Connection**	9	18
26.	**King Kong (new)**	31	4
27.	**Nashville**	33	4
28.	**Pretty Baby**	17	3
29.	**The Deep**	19	2
30.	**Death Wish**	10	3
31.	**Carnal Knowledge**	22	15
32.	**Hello Dolly**	28	18
33.	**The Longest Yard**	21	3
34.	**A Touch of Class**	34	9
35.	**In Praise of Older Women**	42	4
36.	**Barbarella**	15	6
37.	**The Adventures of Sherlock Holmes' Smarter Brother**	23	4
38.	**Night of the Living Dead**	29	10
39.	**The Shootist**	40	3
40.	**Tora! Tora! Tora!**	27	18
41.	**The King & I**	25	18
42.	**The Longest Day**	20	18
43.	**Tunnel Vision**	46	10
44.	**The Sailor Who Fell From Grace With the Sea**	44	13
45.	**Wild Geese**	30	14
46.	**Love Story**	38	5
47.	**Von Ryan's Express**	N	16
48.	**The Dutchess & The Dirtwater Fox**	N	5
49.	**Richard Pryor**	N	3
50.	**King Kong (old)**	37	15